

RECORDING REQUESTED BY:
Signature at Evergreen, LLC
c/o Signature Properties, Inc.
1322 Blue Oaks Blvd., Suite 100
Roseville, CA 95678
Attn: General Counsel

WHEN RECORDED, MAIL TO:

Mr. Brett Stevens
Regional Water Quality Control Bd.
Central Valley Region
11020 Sun Center Drive #200
Rancho Cordova, CA 95670-6114

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE

COVENANT TO RESTRICT USE OF PROPERTY

ENVIRONMENTAL RESTRICTION

Re: Sacramento County Assessor's Parcel numbers (APN) 277-290-001 through and including 277-290-060, APN 277-0081-002, and APN 277-0081-003, also known as 900-940 El Camino Avenue and 2740 Boxwood Street (El Camino property), and 2308-2320 Evergreen Street (Evergreen property), in the City of Sacramento, California

This Covenant and Agreement ("Covenant") is made by and between Signature at Evergreen, LLC (the "Covenantor"), the current owner of the El Camino and Evergreen properties, which are situated in the City of Sacramento, County of Sacramento, State of California. These properties are more particularly described in Exhibit "A", attached hereto and incorporated herein by this reference (the "Properties"), and the California Regional Water Quality Control Board, Central Valley Region (the "Water Board"). Pursuant to Civil Code section 1471, the Water Board has determined that this Covenant is reasonably necessary to protect present or future human health or safety or the environment as a result of the presence on or beneath the land of hazardous materials as defined in Health and Safety Code ("H&SC") section 25260 and/or waste as defined in the Water Code section 13050. The Covenantor and the Water Board, collectively referred to as the "Parties", hereby agree that the use of the Properties be restricted as set forth in this Covenant.

ARTICLE I
STATEMENT OF FACTS

1.01. The Properties are described in Exhibit "A" attached hereto and incorporated herein by this reference and are more specifically described as Sacramento County Assessor's Parcel numbers (APN) 277-290-001 through and including 277-290-060, APN 277-0081-002, and APN 277-0081-003, also known as 900-940 El Camino Avenue and 2740 Boxwood Street, and 2308-2320 Evergreen Street, in the City of Sacramento, California.

1.02. The El Camino property is currently vacant. The northern portion of the El Camino property is paved with asphalt and was apparently used for vehicle sales activities. The southern portion of the El Camino property consists of a gravel lot with overgrown vegetation. From the mid 1950s to 1960s, the southern portion of the El Camino property was occupied by a lumber company and market. The Evergreen property is also currently vacant. It is covered by vegetation. Two residences existed on the Evergreen property during the 1960s and 1970s. No structures have been on the Evergreen property since that time. A storm water drainage ditch traverses the Evergreen property.

1.03. As detailed in the Paragraphs below, several Phase I Environmental Site Assessments, subsurface investigations, and groundwater

investigations have been conducted at the Properties. In general, total petroleum hydrocarbons as gasoline (TPHg) and associated benzene, toluene, ethyl benzene, and xylenes (BTEX) are present in soil, groundwater and soil gas at the El Camino property. Residual metals (primarily lead) and total petroleum hydrocarbons as motor oil (TPHmo) are present in soils at the El Camino property at multiple locations and depths. Perchloroethene was detected in groundwater along the western portion of the Evergreen property and is likely from off-site, although not specifically identified, sources. Low concentrations of trichloroethene have also been found in groundwater.

1.04. The El Camino and Evergreen properties have been the subject of two Phase I Environmental Site Assessment Reports (Phase I Reports). The two Phase I Reports were prepared in June and December 2005, respectively. These reports concluded that neither the El Camino nor the Evergreen properties were used for activities likely to have resulted in the discharge of chemicals to soil or shallow groundwater.

1.05. A soil vapor study of the Evergreen property Conducted in October 2005 suggests that VOCs may be present in shallow groundwater beneath the property. None of the concentrations detected, however, exceeds California Human Health Screening Levels (CHHSLs) for vapor intrusion or indoor air quality.

1.06. Under the oversight of Water Board staff, Signature performed additional Phase II investigations of the properties, including additional soil vapor sampling. An additional soil vapor investigation and surface soil investigation occurred at the properties in June 2006. The groundwater grab sample collected from the El Camino property did not contain VOCs above reportable detection limits.

1.07. Organochlorine pesticides were detected in a surface sample collected from the northern portion of the drainage ditch at the Evergreen property. This data indicates the likely source of the pesticides is stormwater runoff from properties to the north of the Evergreen property.

1.08. VOCs were detected in soil vapor samples at levels that do not

present a threat to human health or the environment. Chemical volatilization from VOCs in the groundwater beneath the properties is believed to be the source of at least some of the VOCs detected in soil vapor. One of the three surface samples at the El Camino property contained elevated levels of arsenic, lead, and zinc, but these detections were below levels of concern. At the Evergreen property, one of the three samples taken from the drainage channel contained elevated levels of lead, zinc and pesticides.

1.09. A comparison of soil data from the properties with soil screening numbers for residential land use shows that current conditions at the properties do not present a significant threat to human health. Drinking water is and will be supplied from off-site sources. Based on the evaluation of human health risks via the potential exposure pathways under a residential land use scenario, it is concluded that there is no significant risk posed by site conditions.

ARTICLE II

DEFINITIONS

2.01. Water Board. "Water Board" means the California Central Valley Regional Water Quality Control Board and includes its successor agencies, if any.

2.02. Improvements. "Improvements" shall mean all buildings, roads, driveways, regradings, and paved parking areas, constructed or placed upon any portion of the Properties.

2.03. Owner or Owners. "Owner" or "Owners" means the Covenantor, its successors in interest, and their successors in interest, including heirs and assigns, who at any time hold title to all or any portion of the Property.

2.04. Occupant. "Occupant" means Owners and any person or entity entitled by ownership, leasehold, or other legal relationship to the right to occupy any portion of the Property.

ARTICLE III

GENERAL PROVISIONS

3.01. Restrictions to Run with the Land. This Covenant sets forth protective provisions, covenants, restrictions, and conditions (collectively referred to as "Restrictions"), subject to which the Properties and every portion thereof shall be improved, held, used, occupied, leased, sold, hypothecated, encumbered, and/or conveyed. Each and every Restriction: (a) runs with the land pursuant to Civil Code section 1471; (b) inures to the benefit of and passes with each and every portion of the Property, (c) is for the benefit of, and is enforceable by the Water Board, and (d) is imposed upon the entire Properties unless expressly stated as applicable only to a specific portion thereof. Each and all of the Restrictions are enforceable by the Water Board and by the Owner.

3.02. Restrictions on Development and Land Use: During such time as each owns and/or controls the Properties, Covenantor and each Owner and Operator of the Properties promises to restrict the use of the Properties as follows:

- a. All uses and development of the Properties shall be consistent with any applicable Water Board Order or Risk Management Plan, including any amendments thereto, and shall preserve the integrity of any remedial measures taken or remedial equipment installed and any groundwater monitoring system installed at the Properties pursuant to the requirements of the Water Board, unless otherwise expressly permitted in writing by the Water Board.
- b. Any residential units constructed on the Properties shall include water/vapor barriers to protect future residents from the potential intrusion of volatile organic compound vapors from the groundwater into the indoor air of residences.
- c. No Owner or Occupant of the Properties or any portion thereof shall drill, bore, otherwise construct, or use a well for the purpose of extracting water for any use, including but not

limited to, domestic, potable, or industrial uses, unless expressly permitted in writing by the Water Board.

3.03. Binding upon Owners/Occupants. This Covenant binds all owners and occupants of the Property, their heirs, successors, and assignees, and the agents, employees, and lessees of the owners and occupants and each of their heirs, successors, and assignees. Pursuant to Civil Code section 1471(b), all successive owners and occupants of the Property are expressly bound hereby for the benefit of the Water Board, and for the benefit of Covenantor.

3.04. Written Notice of the Presence of Hazardous Substances. Prior to the sale, lease or sublease of the Properties, or any portion thereof, the then-owner, lessor, or sublessor shall give the buyer, lessee, or sublessee notice that hazardous substances are located on or beneath the Properties. Giving a copy of this Covenant to such buyer or lessee would satisfy the notice requirements of this Section 3.04.

3.05. Incorporation into Deeds and Leases. The Restrictions set forth herein shall be incorporated by reference in each and all deeds and leases for any portion of the Properties that are entered into on or after the date this Covenant is recorded in the Official Records of Sacramento County, California.

3.06. Conveyance of Property. Not later than thirty (30) days after any conveyance of any ownership interest in the Properties (excluding mortgages, liens, and other non-possessory encumbrances, and excluding transfers to affiliated parties), the new Owner shall provide to the Water Board notice of such conveyance. The Water Board shall not, by reason of this Covenant, have authority to approve, disapprove, or otherwise affect proposed conveyance, except as otherwise provided by law, by administrative order, or by a specific provision of this Covenant.

3.07 Access for Water Board. The Water Board shall have reasonable right of entry and access on and across all public portions of the Property, reasonable right of entry and access on and across any drive aisles and

parking areas for access across the Property to the Impacted Portion of the Property for inspection, monitoring, and other activities consistent with the purposes of this Covenant as reasonably deemed necessary by the Water Board in order to protect the public health or safety, or the environment.

ARTICLE IV ENFORCEMENT

4.01. Enforcement. Failure of the Covenantor, Owner or Occupant to materially comply with any of the Restrictions specifically applicable to it within sixty (60) days after its receipt of written notice from the Water Board that describes a violation of the Restrictions shall be grounds for the Water Board to require that the Covenantor or Owner modify or remove any improvements ("Improvements" herein shall mean all buildings, roads, driveways, and paved parking areas) constructed or placed on the Properties in violation of the Restrictions. Any material violation of this Covenant which is not cured within sixty (60) days after the Covenantor or Owner's receipt of written notice from the Water Board that describes the violation of this Covenant shall be grounds for the Water Board to file administrative and/or civil or criminal actions as provided by law.

Nothing in this Covenant shall limit the Water Board's authority under Division 7 (commencing with section 13000) of the Water Code or other applicable laws.

ARTICLE V VARIANCE, TERMINATION, AND TERM

5.01. Variance. Covenantor, or any other aggrieved person, may apply to the Water Board for a written variance from the provisions of this Covenant as they apply to all or any portion of the Property.

5.02. Termination. Covenantor, or any other aggrieved person, may apply to the Water Board for a termination of the Restrictions or other terms of this Covenant as they apply to all or any portion of the Property.

5.03. Term. Unless ended in accordance with the Termination paragraph above, by law, or by the Water Board in the exercise of its discretion, this

Covenant shall continue in effect in perpetuity.

ARTICLE VI
MISCELLANEOUS

6.01. No Dedication Intended. Nothing set forth in this Covenant shall be construed to be a gift or dedication, or offer of a gift or dedication, of the Properties, or any portion thereof to the general public or anyone else for any purpose whatsoever.

6.02. Water Board References. All references to the Water Board include successor agencies/Water Boards or other successor entity.

6.03. Recordation. The Covenantor shall record this Covenant, with all referenced Exhibits, in the County of Sacramento within ten (10) days of the Covenantor's receipt of a fully executed original.

6.04. Notices. Whenever any person gives or serves any Notice ("Notice" as used herein includes any demand or other communication with respect to this Covenant), each such Notice shall be in writing and shall be deemed effective: (1) when delivered, if personally delivered to the person being served or (2) three (3) business days after deposit in the mail, if mailed by United States mail, postage paid, certified, return receipt requested, or by a recognized overnight carrier that provides proof of delivery, and shall be addressed as follows:

(a) If to Signature at Evergreen, LLC:

Signature at Evergreen, LLC c/o Signature Properties, Inc. 1322 Blue Oaks Blvd., Suite 100 Roseville, CA 95678 Attn: General Counsel
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(b) If to the Water Board:

Central Valley Regional Water Quality Control Board Attn: Cleanup Section Supervisor 11020 Sun Center Drive, #200 Rancho Cordova, CA 95670

It shall be the responsibility of the person giving notice to verify that the above address is current for the Water Board or successor agency. From and after the date on which any party acquires record fee title to the Properties, then all notices and demands which are required or permitted to be given to the Covenantor and/or the Owner under this Covenant shall be addressed to such Owner at the address for the mailing of property tax statements for the Property as shown in the records of the Sacramento County Assessor's Office, or to such other place as such Owner may from time to time designate by written notice to the Water Board in accordance with this Section 6.04.

6.05. Partial Invalidity. If any portion of the Restrictions or other term set forth herein is determined by a court of competent jurisdiction to be invalid for any reason, the surviving portions of this Covenant shall remain in full force and effect as if such portion found invalid had not been included herein.

6.06. Statutory References. All statutory references include successor provisions.

IN WITNESS WHEREOF, the Parties execute this Covenant.

Water Board:

By: _____
PAMELA C. CREEDON, Executive Officer

Date: _____

Covenantor: Signature at Evergreen, LLC

By: _____

Name: _____

Title: _____

Date: _____

STATE OF _____)

)

COUNTY OF _____)

On this _____ day of _____, in the year
_____,

before me _____, personally appeared

_____,

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is /are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____

EXHIBIT A

LEGAL DESCRIPTION
APN XXX-XXX-XXX
and
APN XXX-XXX-XXX

PARCEL ONE:

THE "RESULTANT PARCEL B" AS CREATED BY THE CONDITIONAL CERTIFICATE OF COMPLIANCE RECORDED ON NOVEMBER 23, 2004, AS INSTRUMENT NO. 2004-0053787, OFFICIAL RECORDS, DESCRIBED AS:

ALL OF PARCEL 11, PORTIONS OF PARCELS 10 AND 15 AND A PORTION OF THE ABANDONED RIGHT-OF-WAY OF RIVERPOINT CIRCLE, AS SAID PARCELS AND CIRCLE ARE SHOWN AND SO DESIGNATED ON PARCEL MAP NO. 3866, FILED IN BOOK 10 OF PARCEL MAPS, PAGE 68, YOLO COUNTY RECORDS, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE SOUTHEASTERLY LINE OF SAID PARCEL 10 FROM WHICH THE SOUTHWESTERLY CORNER OF PARCEL 9, AS SAID PARCEL IS SHOWN AND SO DESIGNATED ON SAID PARCEL MAP, BEARS SOUTH 73 DEGREES, 48' 03" WEST 1,454.85 FEET; THENCE FROM SAID POINT OF BEGINNING, NORTH 16 DEGREES, 11' 57" WEST 985.62 FEET; THENCE NORTHERLY ALONG THE ARC OF A NON-TANGENT CURVE TO THE LEFT, CONCAVE TO THE WEST, HAVING A RADIUS OF 80.00 FEET, A RADIAL BEARING TO THE CENTER OF SAID CURVE OF NORTH 35 DEGREES, 44' 06" WEST, A CENTRAL ANGLE OF 77 DEGREES, 06' 50" AND AN ARC LENGTH OF 107.67 FEET; THENCE NORTHERLY ALONG THE ARC OF A REVERSE CURVE TO THE RIGHT, CONCAVE TO THE EAST, HAVING A RADIUS OF 42.00 FEET, A CENTRAL ANGLE OF 49 DEGREES, 31' 05" AND AN ARC LENGTH OF 36.30 FEET TO THE SOUTHEASTERLY RIGHT-OF-WAY LINE OF SAID RIVERPOINT CIRCLE; THENCE, ALONG SAID SOUTHEASTERLY RIGHT-OF-WAY LINE, NORTHEASTERLY ALONG THE ARC OF A COMPOUND CURVE TO THE RIGHT, CONCAVE TO THE SOUTHEAST, HAVING A RADIUS OF 858.00 FEET, A CENTRAL ANGLE OF 26 DEGREES, 05' 51" AND AN ARC LENGTH OF 390.81 FEET; THENCE LEAVING SAID SOUTHEASTERLY RIGHT-OF-WAY LINE, SOUTH 15 DEGREES, 42' 43" EAST 299.98 FEET; THENCE NORTH 74 DEGREES, 17' 17" EAST 588.62 FEET; THENCE SOUTH 15 DEGREES, 42' 43" EAST 404.91 FEET; THENCE WESTERLY ALONG THE ARC OF A NON-TANGENT CURVE TO THE LEFT, CONCAVE TO THE SOUTH, HAVING A RADIUS OF 58.00 FEET, A RADIAL BEARING TO THE CENTER OF SAID CURVE OF SOUTH 22 DEGREES, 20' 28" EAST, A CENTRAL ANGLE OF 186 DEGREES, 51' 32" AND AN ARC LENGTH OF 189.16 FEET TO THE SOUTHEASTERLY RIGHT OF WAY LINE OF RIVERPOINT CIRCLE; THENCE ALONG SAID RIGHT OF WAY LINE, SOUTHWESTERLY ALONG THE ARC OF A NON-TANGENT CURVE TO THE RIGHT, CONCAVE TO THE NORTHWEST, HAVING A RADIUS OF 682.00 FEET, A RADIAL BEARING TO THE CENTER OF SAID CURVE OF NORTH 29 DEGREES, 12' 00" WEST, A CENTRAL ANGLE OF 04 DEGREES, 41' 14" AND AN ARC LENGTH OF 55.79 FEET TO THE NORTHEASTERLY CORNER OF SAID PARCEL 11; THENCE ALONG THE NORTHEASTERLY LINE OF SAID PARCEL 11, SOUTH 23 DEGREES, 52' 36" EAST 457.56 FEET TO THE SOUTHEASTERLY CORNER THEREOF; THENCE ALONG THE SOUTHEASTERLY LINE OF SAID PARCELS 11 AND 10 THE FOLLOWING THREE (3) COURSES: (1) SOUTH 73 DEGREES, 48' 03" WEST 747.01 FEET; (2) SOUTH 16 DEGREES, 11' 57" EAST 33.00 FEET AND (3) SOUTH 73 DEGREES, 48' 03" WEST 245.70 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM A PORTION UNTO DAVID J. ELLIOT AND BONNIE JEANNE ELLIOT, HIS WIFE, AS JOINT TENANTS ALL OIL, GAS, SULFUR AND OTHER MINERAL AND HYDROCARBON SUBSTANCES LYING BELOW A DEPTH OF 500 FEET, VERTICALLY FROM THE SURFACE THEREOF, BUT EXCLUDING THEREFROM, ALL RIGHTS IN AND TO THE SURFACE AND

THE SUBSURFACE DOWN TO SAID DEPTH OF 500 FEET, AS EXCEPTED IN DEED FROM ROSE ORCHARD CORPORATION, A CALIFORNIA CORPORATION, ET AL., RECORDED SEPTEMBER 16, 1983 IN BOOK 1604 OF OFFICIAL RECORDS AT PAGE 71.

ALSO EXCEPTING THEREFROM A PORTION UNTO ROSE ORCHARD CORPORATION, A CALIFORNIA CORPORATION AN UNDIVIDED 1/2 INTEREST IN ALL OIL, GAS, SULFUR AND OTHER MINERAL AND HYDROCARBON SUBSTANCES LYING BELOW A DEPTH OF 500 FEET, VERTICALLY FROM THE SURFACE THEREOF, BUT EXCLUDING THEREFROM, ALL RIGHTS IN AND TO THE SURFACE AND THE SUBSURFACE DOWN TO SAID DEPTH OF 500 FEET AS RESERVED BY ROSE ORCHARD CORPORATION, A CALIFORNIA CORPORATION IN THE DEED RECORDED SEPTEMBER 16, 1983 IN BOOK 1604 OF OFFICIAL RECORDS AT PAGE 71.

APN: 014-793-22